

[REDACTED]

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[REDACTED]

[REDACTED]

JAN 22 1990

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

The information submitted discloses that you were incorporated [REDACTED], under the non profit laws of the State of [REDACTED]. According to Article Four of your Articles of Incorporation, the purpose for which you are organized is to preserve and promote the private practice of medicine and surgery in the State of [REDACTED], particularly those physicians who are practicing primarily in [REDACTED], who desire to participate in competitive health care and medicine.

Article 2 of your Bylaws, states that you shall have one class of members. The qualifications and rights of such class shall be as follows:

"membership shall be limited to medical doctors who are licensed to practice in the State of [REDACTED] and who are in the private practice in the State of [REDACTED] and who are in the private practice of medicine, either self-employed or in an association with similarly specialized physicians. All new members must obtain and all current members must maintain hospital rights with one (1) or more of the area hospitals to be eligible for membership."

Statements furnished in support of your application indicate that your activities consist of conducting an ongoing media advertising campaign designed to inform and educate the general public about health care issues involved with medical insurance alternatives. You also operate a free priority physician referral service operated by a licensed nurse to expedite appointments with physicians and answer health care questions. You also refer patients to non-members if no member physician is available.

You currently have [REDACTED] members in the association, each paying \$[REDACTED] per month in dues. Meetings of the general membership are held on an as-needed basis. You feature in local newspapers and on the television the names and business addresses of each of your members. No non-member physicians are listed in

any advertisements.

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a), and reads, in part as follows:

"(6) Business leagues, chambers of commerce, real estate boards, boards of trade,***, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of the regulations provides as follows:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league.***"

Revenue Ruling 65-14, 1965-1 C.B. 206, holds that an organization formed to promote the tourist industry in its area, whose principal activity is publishing a tourist guidebook and other advertising matter containing listings of the names of individual members, is performing particular services for its members and is accordingly not exempt under Internal Revenue Code section 501(c)(6).

Revenue Ruling 64-115, 1964-2 C.B. 147, holds that an association of merchants that engages in advertising which contains the names of member merchants and their merchandise is performing particular services for members rather than improving the business conditions generally, and is not exempt from Federal income tax under section 501(c)(6) of the Code.

Revenue Ruling 61-170, 1961-2 C.B. 112, holds that an organization of professional nurses primarily engaged in the operation of a nurses'

[REDACTED]

registry to provide employment opportunities for members did not qualify for exemption under section 501(c)(3) or 501(c)(6) of the Code. Exemption under section 501(c)(3) was denied because the organization's activities primarily served a private rather than a public benefit. Its primary activities were neither charitable nor educational. Exemption under section 501(c)(6) was denied because the organization primarily engaged in the performance of particular services for individuals rather than the promotion of business generally.

Revenue Ruling 74-308, 1974-2 C.B. 168, states in part that an organization engaged in the referral of persons to tow truck operators is not exempt under section 501(c)(6) of the Code because it was providing the organization's members with an economy and convenience in the performance of their individual businesses.

Revenue Ruling 80-237, 1980-1 C.B. 186, describes a non profit lawyer referral service which arranges at the request of any member of the public an initial half hour appointment for a nominal charge with a lawyer whose name is on an approved list maintained by the organization. The referral service is not exempt under section 501(c)(3) of the Code, but is exempt as a business league under section 501(c)(6).

It is evident from the data furnished with your exemption application that the primary purpose of activity of your organization has been the advertisement of members' businesses and the referral of patients to member physicians rather than primarily engaging in activities for the improvement of business conditions within the medical industry as a whole. Even though you feel you resemble the type of organization described in Revenue Ruling 80-237 (supra), it is concluded that your primary activities are the advertisement of members' businesses and operation of a referral service primarily for your members.

Accordingly, we hold that you are organized and operated primarily for the purpose of performing particular services for your members through advertisement of individual businesses and the referral of patients; thus, you do not qualify for exemption under section 501(c)(6) of the Code. Therefore, you are required to file Federal income tax returns on Form 1120.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

[REDACTED]

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely,

[REDACTED]
[REDACTED]
District Director

Enclosures:
Publication 8/2
Form 6018

cc: [REDACTED]
[REDACTED]